

**CASH TRANSFER GRANT AGREEMENT  
("AGREEMENT")**

**BETWEEN**

**THE GOVERNMENT OF THE UNITED STATES OF AMERICA, ACTING  
THROUGH THE UNITED STATES AGENCY FOR INTERNATIONAL  
DEVELOPMENT,**

**AND**

**THE GOVERNMENT OF GEORGIA,**

**DATED OCTOBER 22, 2008**

**ARTICLE I. Purpose**

The purpose of this Agreement is to set out the understanding of the parties hereto, the Government of the United States of America, acting through the United States Agency for International Development ("USAID"), and the Government of Georgia ( the "Grantee"), jointly known as the parties (the "Parties"), about the Objective (as defined below).

**ARTICLE II. Objective and Results**

**SECTION 2.1 Objective**

The Objective of this Agreement, and the assistance provided pursuant hereto, is to assist the Government of Georgia to quickly respond to the economic shock that resulted from the Russian invasion of August 2008 by directly supporting Georgia's economic reconstruction and recovery through budget support to allow the Georgian economy to rapidly adjust and recover from the crisis created by the invasion, and to meet additional needs of the Georgian government generated by the crisis (the "Objective").

**SECTION 2.2 Results**

In order to achieve that Objective, the Parties agree that the assistance provided under this Agreement will be used to support a stabilized Georgian economy and decrease fiscal gaps and shortfalls (the "Results").

### **ARTICLE III. USAID Contribution**

#### **SECTION 3.1 Total Estimated USAID Contribution**

(a) Subject to the availability of funds, USAID's total estimated contribution to achievement of the Objective will be Two Hundred Fifty Million United States ("U.S.") Dollars (\$250,000,000).

(b) If at any time USAID determines that its contribution under Section 3.2 exceeds the amount which reasonably can be utilized for achieving the Objective or Results during the next U.S. fiscal year, USAID may, upon written notice to the Grantee, withdraw the excess amount, which may or may not reduce the Total Estimated USAID Contribution as set forth in Section 3.1(a), at the discretion of USAID.

#### **SECTION 3.2 The Grant**

To achieve the Objective set forth in this Agreement, USAID, pursuant to the Foreign Assistance Act of 1961, as amended, hereby grants to the Grantee under the terms of this Agreement not to exceed Two Hundred Fifty Million U.S. Dollars (\$250,000,000) (the "Grant"). Subsequent increments will be subject to the availability of funds to USAID for this purpose, and the mutual agreement of the Parties, at the time of each subsequent increment, to proceed.

### **ARTICLE IV. Completion Date**

The Completion Date of this Agreement shall be the date when the final disbursement is made from the Separate Dollar Account as defined in Section 8.1.

### **ARTICLE V. Disbursement**

Upon satisfaction of the conditions precedent set forth in Section 6.1, USAID will disburse the Grant into the Separate Dollar Account, as defined and established pursuant to Sections 6.1 and 8.1 of this Agreement.

### **ARTICLE VI. Conditions Precedent to Disbursement**

#### **SECTION 6.1. Conditions Precedent to Disbursement**

Prior to the disbursement of Grant, or to the issuance by USAID of documentation pursuant to which such disbursement will be made, the Grantee

shall, except as the Parties may otherwise agree in writing, furnish to USAID, in form and substance satisfactory to USAID, the following:

(a) An opinion of counsel acceptable to USAID that this Agreement has been duly authorized or ratified by, and executed on behalf of, the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms;

(b) A statement of the names of the persons holding the offices specified in Section 9.6, and of any additional representatives, together with a specimen signature of each person so designated;

(c) Evidence that the Grantee has established, or caused to be established, a Separate Dollar Account, as described in Article VIII of this Agreement, including: (i) the name and address of the bank; (ii) the name and number of the Separate Dollar Account, including bank routing number; (iii) the names and titles of officials authorized to make withdrawals; (iv) a statement of the means by which funds will be withdrawn from the Separate Dollar Account; and (v) a statement that the Grantee will maintain, or cause to be maintained, the Separate Dollar Account in the manner required by Article VIII of this Agreement;

(d) A written statement from the bank confirming that the Separate Dollar Account has been established and that the bank has received instructions from the Grantee authorizing USAID access to all information essential to monitoring the terms of this Agreement along with a copy of the Grantee's written instructions to the bank;

(e) A written statement that the Grantee will take all possible measures to ensure that none of the Grant Proceeds (as hereinafter defined) will be furnished to, used to finance, reimburse or service debts related to, or used for, any ineligible individual or organization or any ineligible use listed in Section 9.7 of this Agreement, or as may be outlined in a subsequent Implementation Letter issued under Section 9.3 of this Agreement.

(f) The Parties may agree to certain additional policy or implementation conditionalities, to be satisfied prior to disbursement of the Grant, through the use of Implementation Letters in accordance with Section 9.3 of this Agreement.

## **SECTION 6.2. Notification and Terminal Date for Disbursement**

USAID will promptly notify the Grantee when the Conditions Precedent specified in Section 6.1 have been met. If the Conditions Precedent specified for disbursement of the Grant have not been met within one hundred twenty (120) days from the date of this Agreement, or such other date as the Parties may

agree to in writing, USAID may terminate this Agreement by written notice to the Grantee.

**ARTICLE VII.      Special Covenants**

**SECTION 7.1      Use of the Grant**

Except as the Parties may otherwise agree in writing, use of the Grant provided under this Agreement shall be for the following purposes:

(a) To purchase the local currency ("Local Currency") of Georgia, for purposes of this Cash Transfer Agreement only, at the highest lawful rate available to the National Bank of Georgia on the date of conversion, to be utilized for purposes consistent with and in furtherance of the Objective and Results stated in Article II, and as may be further elaborated in Implementation Letters; and/or

(b) Other purposes as may be agreed to by the Parties through an Implementation Letter in accordance with Section 9.3.

The Parties shall agree on the specific uses of Local Currency purchased pursuant to Section 7.1(a), and such agreement(s) shall be set forth in an Implementation Letter(s) under Section 9.3 hereof.

**ARTICLE VIII.      General Terms and Conditions Governing the Use of the Cash Transfer**

**SECTION 8.1.      Establishing the Separate Dollar Account**

(a) The Grantee agrees to establish, or cause to be established, a separate non-interest-bearing U.S. dollar account at the bank designated by the Grantee pursuant to the requirements of Section 6.1(c) for deposit of the Grant (the "Separate Dollar Account"), and shall not commingle the Grant in the Separate Dollar Account with funds from any other source. Except as USAID otherwise agrees in writing, the Grantee agrees to use the Grant exclusively for the purposes set forth in Article VII.

(b) The Grantee agrees that any interest earned on funds in the Separate Dollar Account must be returned to the United States. USAID will issue an Implementation Letter to provide instructions on effecting payment to the United States of any interest earned.

**SECTION 8.2.      Uses of and Accounting for Uses of Local Currency**

(a) Except as USAID otherwise agrees in writing, the Grantee agrees to use the Local Currency resulting from conversion of the Grant under this Agreement only for purposes consistent with and in furtherance of the Objective and Results stated in Article II, as may be further elaborated through the exchange of Implementation Letters.

(b) USAID and the Grantee shall agree on procedures, including the production of adequate documentation, to provide evidence satisfactory to USAID that the amounts of Local Currency purchased with the Grant are used for purposes consistent with and in furtherance of the Objective and Results stated in Article II. Such procedures shall be detailed in an Implementation Letter under 9.3 hereof.

### **SECTION 8.3      Withdrawals from the Separate Dollar Account**

The Grantee will withdraw, or cause to be withdrawn, funds from the Separate Dollar Account, and will use such funds, including Local Currency purchased with the Grant, only in accordance with the procedures to be mutually agreed upon by the Parties through an exchange of Implementation Letters.

a) To facilitate withdrawals from the Separate Dollar Account, the Grantee shall provide, in form and substance satisfactory to USAID, documentation indicating the amount requested and the purpose for which the funds that are withdrawn, including funds that are converted into Local Currency, will be used.

(b) All withdrawals by the Grantee from the Separate Dollar Account shall require the written concurrence of USAID.

### **SECTION 8.4      Accounting Books and Records**

The Grantee shall maintain, or cause to be maintained, in accordance with its laws and regulations, and generally accepted international accounting principles and practices, documents in support of deposits to and withdrawals from the Separate Dollar Account, the conversion of such withdrawals into Local Currency and the uses of such withdrawals, including withdrawals converted into Local Currency. Such documents shall be available for review and audit by USAID or its designees at the end of each fiscal year of the Grantee and at other such times as USAID may request, and for up to three (3) years following the last withdrawal from the applicable accounts made in accordance with the provisions of this Agreement. Additional review and audit requirements may be established in Implementation Letters.

## **SECTION 8.5      Monitoring and Reporting**

(a) Except as the Parties may otherwise agree in writing, the Grantee shall provide USAID with monthly reports on the uses of Separate Dollar Account and Local Currency funds and the status of the Separate Dollar Account until the funds are fully withdrawn from the Separate Dollar Account and such funds, including Local Currency purchased therewith, are applied for the agreed-to purposes specified in one or more related Implementation Letters. Each such report will include information acceptable to USAID regarding all deposits into and withdrawals from the Separate Dollar Account, and the uses of such withdrawals, including deposits of Local Currency into the Treasury Single Account at the National Bank of Georgia and the prompt application of such Local Currency for the purposes set forth in Section 8.2 and related Implementation Letters regarding the use of these funds. The monthly report will include copies of the corresponding bank statement(s) pertaining to the period covered by the report. Additional reporting requirements and formats may be established in Implementation Letters.

(b) USAID and the Grantee agree that this Agreement, any and all amendments to this Agreement, any and all Implementation Letters, any and all documents as referenced in Section 8.4 and any and all reports set forth in Section 8.5 shall be posted on a Government of Georgia Ministry of Finance internet website accessible by the general public and available for public review and public dissemination as established in an Implementation Letter. Furthermore, all such documents shall be available for review and access by the general public in accordance with all applicable law.

## **ARTICLE IX. Miscellaneous**

### **SECTION 9.1      Taxation**

None of the funds provided under this Agreement, whether in United States Dollars or Georgian Lari, are subject to taxation until after they are expended by the Government of Georgia for relevant spending obligations pursuant to the 2008 and 2009 budgets of Georgia.

### **SECTION 9.2      Refund of Grant**

In the case of any disbursement or expenditure of any part of the Grant which is not supported by valid documentation in accordance with this Agreement, or

which is not made or used in accordance with this Agreement, or any related Implementation Letter, USAID may require the Grantee to refund the amount of such disbursement in U.S. Dollars to USAID, or as USAID may otherwise direct in writing, within sixty (60) days after receipt of a request therefor. In addition, USAID may otherwise request the return of any amount of the Grant that remains available for expenditure, and the Grantee shall return any such amount within sixty days (60) of receipt of the request. The Grantee shall bear any exchange-rate losses associated with refunding any amount requested under this section to ensure that the United States is refunded an amount in U.S. Dollars equivalent to the amount it deposited into the Separate Dollar Account at the relevant exchange rate in effect on the date of the transfer of such refunded amount to USAID as specified further in an Implementation Letter. The right to require a refund will continue, notwithstanding any other provision of this Agreement, for three (3) years from the date of the last disbursement under this Agreement.

### **SECTION 9.3      Implementation Letters**

USAID may from time to time issue Implementation Letters elaborating on terms of this Agreement, further describing applicable procedures, or recording the agreement of the Parties on details of implementation. Implementation Letters will not be used to amend the text of this Agreement, but can be used to record revisions and exceptions which are permitted by this Agreement.

### **SECTION 9.4      Non-Waiver of Remedies**

No delay in exercising any right or remedy accruing to a Party in connection with this Agreement will be construed as a waiver of such right or remedy.

### **SECTION 9.5      Consultation**

The Parties will cooperate to ensure that the purposes of this Agreement are accomplished. To this end, the Parties, at the request of either, will exchange views on the progress of this Agreement, and other matters related to this Agreement.

### **SECTION 9.6      Representatives**

(a) For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of the Minister of Finance, and USAID will be represented by the individual holding or acting in the capacity of either the Administrator, USAID, or the Mission Director,

USAID/Caucasus, each of whom, by written notice, may designate additional representatives for all purposes other than signing formal amendments to this Agreement.

(b) The names of the representatives of the Grantee, with specimen signatures, will be provided to USAID. Either Party may accept as authorized any instrument signed by such representatives of the other Party in implementation of this Agreement until receipt of written notice of revocation of their authority.

## **SECTION 9.7      Prohibited Uses; Replenishment of Proceeds**

(a) Both the Grantee and USAID are firmly committed to the international fight against terrorism, and in particular, against the financing of terrorism. It is the policy of USAID and the Grantee to seek to ensure that none of its funds are used, directly or indirectly, to provide support to individuals or entities associated with terrorism. In accordance with this policy, the Grantee undertakes to take all possible measures to ensure that none of the Grant Proceeds (as hereinafter defined) are used to provide support to any individual or organization that advocates, plans, sponsors, engages in, or has engaged in or is associated with terrorism, armed hostilities or other acts of violence, or any entity effectively controlled by such individual or organization. For purposes of this Agreement, the term "Grant Proceeds" shall be deemed to include the Grant and any Local Currency purchased with the Grant pursuant to Section 7.1(a).

(b) In addition, Grant Proceeds may not be used for any military or paramilitary purposes, including to finance, reimburse or service debts related to the purchase of services, commodities, equipment, or payment of salaries, for the use or benefit of any military or paramilitary purpose. In addition, Grant Proceeds may not be used to finance the purchase of surveillance or weather modification equipment, abortion equipment, luxury goods and gambling equipment; nor may Grant Proceeds be used in a manner which would contribute to a violation of internationally recognized rights of workers or, unless specifically authorized by USAID, any activity that involves investment promotion, assistance for police or prisons, or other law enforcement forces, or for any other purposes other than those authorized pursuant to Article VII.

(c) In the case of any utilization of Grant Proceeds which is not made or used in accordance with this Agreement (including, but not limited to, Sections 9.7(a) and (b) hereof), and/or any applicable Implementation Letter(s) issued hereunder, or is not supported by valid documentation in accordance with this Agreement and/or any applicable Implementation Letter(s) issued hereunder, the Grantee agrees, subject to USAID's rights described in Section 9.2, to redeposit within sixty (60) days after receiving notification from USAID of such breach, to the Separate Dollar Account described in Section 8.1 of this Agreement, an



equivalent amount of U.S. Dollars. (In the case of Local Currency so misused, the Grantee agrees to redeposit into the Separate Dollar Account an amount of U.S. Dollars equivalent to the amount of Local Currency so misused.) Funds so redeposited shall be used for purposes permitted under this Agreement and/or any applicable Implementation Letter(s).

(d) The Grantee shall bear any exchange-rate losses associated with refunding any amount required to be refunded under this Section 9.7 to ensure that the United States is refunded an amount in U.S. Dollars equivalent to the amount it deposited into the Separate Dollar Account (or, in the case of a refund of Local Currency, the amount of Local Currency converted from the Grant and not used in accordance with this Agreement) at the relevant exchange rate in effect on the date of the transfer of such refunded amount to USAID as specified further in an Implementation Letter. The right to require a refund will continue, notwithstanding any other provision of this Agreement, for three (3) years from the date of the last disbursement under this Agreement.

#### **SECTION 9.8      Communications**

Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be communicated by certified mail or by fax followed by certified mail in case of urgency, and will be deemed duly given or sent when delivered to such party at the following addresses, as applicable:

**To the GRANTEE:**

Name: Nika Gilauri  
Title: Minister of Finance of Georgia  
Address: 16 Gorgasali Street, 0114 Tbilisi, Georgia  
Phone: +99532 - 446430  
Fax: +99532 - 457443

**To USAID:**

Name: Robert Wilson  
Title: Mission Director, USAID/Caucasus  
Address: 11 George Balanchine Street, Tbilisi 0131, Georgia  
Phone: +99532 - 544155  
Fax: +99532 - 544145

All such communications will be in English, unless the parties otherwise agree in writing. Other addressees may be substituted for the above upon giving of written notice.

**SECTION 9.9      Amendment**

Except as otherwise provided in Section 9.3, this Agreement may only be amended by the execution of written amendments by the authorized representatives of both the Parties designated in Section 9.6.

**SECTION 9.10      Effective Date**

This Agreement, which is prepared in the English language only, shall enter into force on the date and year first above written, following signature by both the Parties.

IN WITNESS WHEREOF, the Government of the United States of America and the Government of Georgia, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

**The Government of the United States  
of America**

**The Government of Georgia**

By: 

Name: Henrietta H. Fore  
Title: Administrator,  
United States Agency for  
International Development  
and Director of United States  
Foreign Assistance

By: 

Name: Nika Gilauri  
Title: Minister of Finance